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Message Text

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ACTION OPIC-12

INFO OCT-01 ARA-16 ISO-00 EB-11 AID-20 /060 W
---------- 050072
R 082133Z MAR 74
FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 6447

C O N F I D E N T I A L SAN JOSE 0940

FOR OPIC

E.O. 11652: N/A
TAGS: EFIN, CS
SUBJECT: OPIC INSURANCE OF CAY RICA CATTLE

REF: (A) OPIC MEMORANDUM OF FEBRUARY 22, 1974, (B) SAN JOSE 0305

1. EMBASSY HAS GIVEN CAREFUL CONSIDERATION TO OPIC'S MEMORANDUM OF FEBRUARY 22.THE POINTS SET FORTH THEREIN, HOWEVER, DO NOT REPEAT NOT OVERCOME THE POLICY CONSIDERATIONS GIVEN IN PARAGRAPH 5 OF REFERENCE B. THEREFORE, WE CANNOT GIVE OUR CONCURRENCE. SPECIFICALLY, (A) CONTRARY TO THE VIEW EXPRESSED IN REFERENCE (A) A LAND HOLDINGS THE SIZE OF THIS ONE -- 3,600 ACRES-- IS LARGE, BY BOTH U.S. AND COSTA RICAN STANDARDS, AND (B) IT IS OF A CATEGORY THAT DOES ENTAIL A SPECIAL ELEMENT OF POLITICAL RISK WITHOUT SIGNIFICANT REDEEMING EMPLOYMENT AND SOCIAL BENEFITS. IN FACT, THE EMBASSY WISHES TO AMEND ITS POSITION AS STATED IN REFERENCE B TO OPPOSE ALL OPIC INSURANCES OF LAND INVESTMENTS REGARDLESS OF SIZE UNLESS THEY HAVE SPECIAL AGROINDUSTRIAL ASPECTS NOT REPEAT NOT PRESENT IN THIS CASE.

2. WE ARE IN NO POSITION TO PROVIDE A FEASIBILITY STUDY OF THIS PROJECT. WE DO NOT QUESTION ITS ECONOMIC VIABILITY NOR WHETHER THE LAND WAS OR WAS NOT WORKED WELL BEFORE, OR EVEN WHETHER THE LAND IS NOW--OR MAY IN FIVE YEARS BE--CHOICE REAL ESTATE. WE HAVE CONFIDENTIAL

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NO EVIDENCE THAT THE GOCR IS PLANNING AN EARLY MOVE

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AGAINST SUCH FOREIGN INVESTMENT. HOWEVER, US ASKING
US FOR OUR CONCURRENCE ON PROJECTS, WE BELIEVE THAT
OPIC SHOULD HAVE THE BENEFIT OF THE BEST ADVICE WE
HAVE TO OFFER ON THE BASIS OF OUR ON-THE-SCENE
EXPERIENCE. FOR OBVIOUS REASONS, SUCH EVALUATION
OFTEN CANNOT EMBRACE DETAILED PROJECT EVALUATION.
IN OUR JUDGMENT, LAND INVESTMENTS OF THE TYPE
DESCRIBED ARE BECOMING
SENSITIVE AND COULD BECOME
THE OBJECT OF GOVERNMENTAL REGULATION IN THE FUTURE.
IN FACT, IT IS THE VERY FACT OF CONTINUING AND GROWING
FOREIGN INVESTMENT IN LAND WHICH IS RAISING THESE
SENSITIVITES--AND FOREIGN GOVERNMENT (I.E., OPIC)
GUARANTEES OF SUCH PURCHASES CAN VERY WELL BE EXPECTED
TO SHARPEN THOSE SENSITIVITIES AT SOME TIME IN THE FUTURE
WHILE INJECTING THE U.S. GOVERNMENT INTO A DELICATE SITUATION
FOR NO USEFUL ECONOMIC PURPOSE.

3. CAY RICA MAY BE A VERY GOOD INVESTMENT FOR ITS
PROMOTERS, AND IT MAY NEVER RUN INTO DIFFICULTIES WITH
THE GOVERNMENT. INDEED, WE ARE FREQUENTLY ASKED BY
POTENTIAL INVESTORS IF CATTLE INVESTMENT HERE IS "GOOD"
AND IN GENERAL, AFTER INDICATING SENSITIVITIES, OUR
ANSWER MUST BE "YES, IT IS". BUT THAT IS NOT THE POINT.
THE POINT IS THAT THERE IS AN IDENTIFIABLE RISK INVOLVED
AND THAT THIS IS NOT THE TYPE OF RISK THE U.S. GOVERNMENT
SHOULD BE CALLED UPON TO BEAR. MOREOVER, TO JUDGE
FROM THE LARGE NUMBER OF AMERICANS AND OTHERS WHO
ARE EAGERLY BUYING CATTLE LAND FOR PROJECTS SUCH AS THIS WITHOUT
THE BENEFIT OF OPIC GUARANTEES, WE CONSIDER SUCH GUARANTEES
FOR LAND PURCHASES NOT ONLY UNDESIRABLE FROM POLICY
POINT OF VIEW BUT UNNECESSARY TO PROMOTE PRIVATE
INVESTMENT IN THIS SECTOR.
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